

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Express Mail
Express Mail Contract 13

Docket No. MC2013-35

Competitive Product Prices
Express Mail Contract 13 (MC2013-35)
Negotiated Service Agreement

Docket No. CP2013-46

PUBLIC REPRESENTATIVE COMMENTS
(February 1, 2013)

I. BACKGROUND

In response to Order No. 1636, the Public Representative hereby comments on the proposal of United States Postal Service (USPS or Postal Service) to add Priority Mail Contract 52 to the competitive product list ("Request").¹ It asserts that this contract is for a competitive product "not of general applicability" within the meaning of 39 U.S.C. 3632(b)(3). *Request at 1* The Public Representative has examined the terms of the contract, supporting materials, and concludes that the Postal Service's Request comports with the provisions of title 39. The Public Representative notes that the contract allows for annual price increases to help offset the possibility that costs will increase during the life of the contract. The Public Representative does have one minor methodological concern. The workpapers calculate the first year of inflation based on the average of 2013:3 to 2014:2 divided by 2011:10 to 2012:9, rather than going a full year back and divide by the average of the period 2011:3 to 2013:2. The latter method results in a small average increase of .01% in inflation per cost area. Consequently the result shows the Postal Service may have slightly understated the estimated cost coverage. The Public Representative concludes that the contract appears to be beneficial to the Postal Service, the contract partner, and the general public

¹ Request of the United States Postal Service to add Priority Mail Contract 52 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data (January 23, 2013) (Request).

II. DISCUSSION

The Postal Service is requesting approval to add Priority Mail Contract 52 to the competitive product list. The contract allows for discounts and other terms appropriate for Priority Mail service.

The Public Representative has examined the contract and supporting materials. He concludes that the Postal Service's Request comports with the provisions of title 39. The contract appears to make a substantial contribution towards the recovery of the Postal Service's institutional cost. The contract also provides an annual inflation adjustment, which should ensure that the contract will continue to make a positive contribution to the recovery of the Postal Service's institutional costs if costs increase during the life of the contract. The contract provides discounts to the contract partner, and allows either party to terminate the contract within 30 days. The Public Representative concludes that the contract will benefit the Postal Service, the contract partner, and the general public.

III. CONCLUSION

After reviewing the financial information and other materials the Postal Service submitted under seal in this case, the Public Representative concludes that Priority Mail Contract 52 comports with the relevant provisions of title 39 and should be approved. The Public Representative also recommends the Commission request future competitive contract filings to include estimates of volumes, revenues and attributable costs for each year, not only the first year, of the contract.

Respectfully submitted,

/s

Lawrence Fenster
Public Representative for
Docket Nos. MC2013-32 & CP2013-41